



# **EITC Tool Kit**

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# Rules for All Claimants

Taxpayer must **not** be:

- Married filing a separate return
- Filing Form 2555 or 2555-EZ
- A nonresident alien
- A qualifying child of another person



# Qualifying Child

- Three tests to be a qualifying child:
  - ✓ Relationship
  - ✓ Age
  - ✓ Residency
- Qualifying child of more than one taxpayer
- Schedule EIC



# No Qualifying Children

Taxpayer must:

- Not be a dependent of another person
- Be at least age 25, but under age 65
- Live in the U.S. more than half the year



# Earned Income and Income Limits

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- Earned income:
  - Taxable employee compensation
  - Net earnings from self-employment
- Earned income and AGI limit
- Investment income limit



# Social Security Numbers

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- Taxpayer and qualifying child
- SSNs issued to aliens



# Due Diligence Requirements

- Requirements for paid preparers:
  - ✓ Completion of eligibility checklist
  - ✓ Computation of the credit
  - ✓ No knowledge that information is incorrect
  - ✓ Retention of records
- Penalty for failure to comply



# Common Errors

- Claiming a child who is not an EITC qualifying child
- Using an incorrect filing status
- Reporting incorrect income amounts
- Entering incorrect SSNs



# Important Items to Remember

Your client:

- Cannot file as head of household if married and living with a spouse
- Might need to recertify
- Needs to keep documentation in case of an audit



# Help is Available

- *Earned Income Credit*, Publication 596
- *Tax Professional Guide*, Publication 3107
- Form 1040 EIC Instructions
- Web: [www.irs.gov/eitc](http://www.irs.gov/eitc)
- Practitioner Priority Line: 1-866-860-4259